

Advocacy Update – November 2020

IGA2020-1288

Intergovernmental Affairs Committee

November 12, 2020

City of Calgary COVID-19 Priorities for the Government of Canada and the Government of Alberta



1
Aid to vulnerable citizens and non-profits that support them
 Immediate priority for the most vulnerable



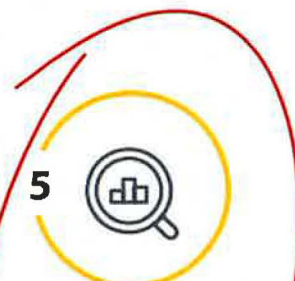
2
Aid to business
 Direct support to business



3
Aid to municipalities
 A backstop for municipalities incurring unrecoverable operating losses



4
Stimulative Infrastructure
 A major new infrastructure plan to get people working and the economy humming



5
Long term economic resilience and a new deal for cities
 A vision to recover and rebuild



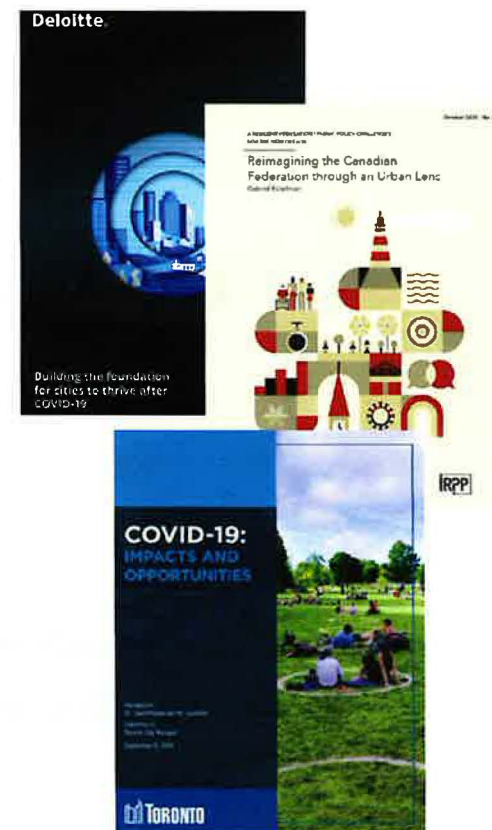
Why now? COVID-19 is “laying bare” fundamental inequities

COVID-19 continues to drive deep operating gaps in Canada’s big cities

The Safe Restart Agreement (federal) and the Municipal Operating Support Transfer (provincial) are unprecedented recognition of the important role cities play

But these one-time injections merely paper over cracks that the crisis has exposed

- “The COVID-19 crisis has exposed major flaws in the financing capacities of municipal governments (Deloitte, 2020)
- “The pandemic has laid bare the precarious financial footing of city governments across the country” (IRPP, 2020)
- “COVID-19 has reinforced the reality that Toronto’s fiscal capacity, funded primarily by property tax, is not commensurate to its responsibilities” (Toronto, 2020)



The plan: doubling down on existing efforts

1. Building relationships and coordinating our message with key partners (e.g. Federation of Canadian Municipalities, other big city administrations)
2. Educating other orders of government on the nature of the challenge and benefits of finding a solution
 - “A stronger and more resilient Canada” can only be built with stronger and more resilient cities
3. Presenting solutions and a roadmap for meaningful change

The original roles and revenues of Canada's cities

Historically, municipalities functions were limited to planning, protecting and providing services for the “built environment”

- Given these roles, municipal revenues were based primarily on the taxation of that built environment (i.e. a property tax)

But while perceptions of a narrow municipal role may persist, today's cities play a much larger function



PARLIAMENT OF CANADA

“Municipal governments are responsible for areas such as libraries, parks, community water systems, local police, roadways and parking.”

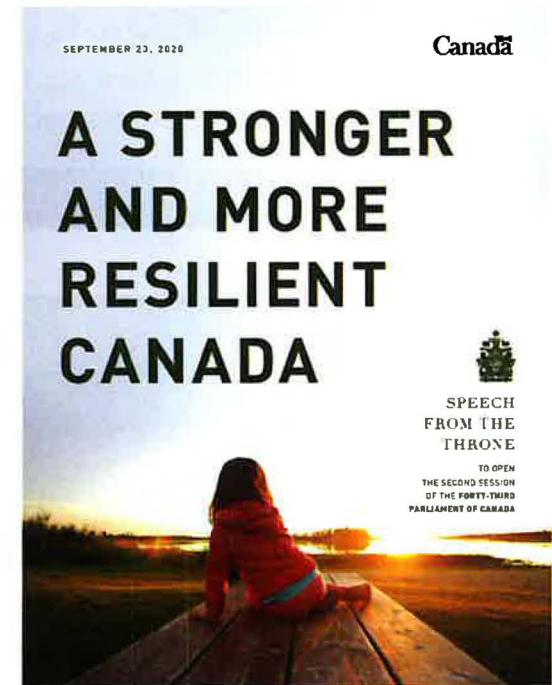
parl.gc.ca

Today's big cities deliver national goals

For instance, today's big cities are responsible for:

1. Protecting Canadians from COVID-19
2. Helping Canadians through the pandemic
3. Building back better with a resiliency agenda
4. Delivering the Canada we're fighting for

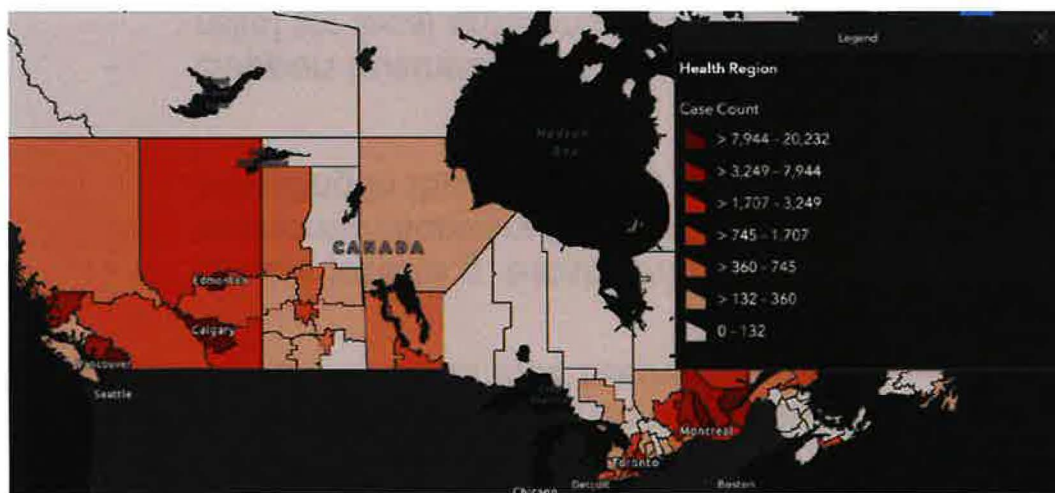
None of these shared intergovernmental priorities can be achieved without viable big cities



1. Canada's big cities protect Canadians from COVID-19

Canadians in the six largest cities live at the centre of the pandemic. And while formal responsibility for public health varies, big cities play a vital role in protecting large numbers of Canadians from COVID-19.

Covid-19 Case Count by Health Region – November 7, 2020



StatsCan / Environics

Between them, Canada's six largest cities have:

- Adapted, constructed and operated emergency shelters to safely house the most vulnerable Canadians
- Operated transit at full capacity to preserve social distance among reduced ridership
- Modified the provision of other city services to be consistent with public health guidelines
- Adopted, educated and enforced mandatory mask bylaws
- Conducted or provided facilities/support for testing
- Provided PPE for essential service workers
- Provided public health supports for local school boards

2. Canada's big cities are helping Canadians through the pandemic

Throughout the pandemic, Canada's biggest cities have exercised their responsibility to:

- Create jobs (e.g. establishing local economic recovery task forces and investing in the outcomes)
- Support business (e.g. tax, rent and other relief for local enterprises, cutting red tape)
- Support workers and their families (e.g. property tax and utility relief, providing low-income supports)
- Promote fiscal sustainability (e.g. staff reductions, organizational realignments, service reviews)

Canada's biggest cities host the greater part of Canada's economic activity...

Key Metric	Canada	Big 6 Cities
Population (2016, total persons)	36,109,487	45%
GDP (2016, CAD millions)	1,886,103	52%

Ernst & Young, June 2020

...and are expected to support its expansion

Which general priority should the next city council focus on after the 2021 election?



Calgary Herald, October 2020

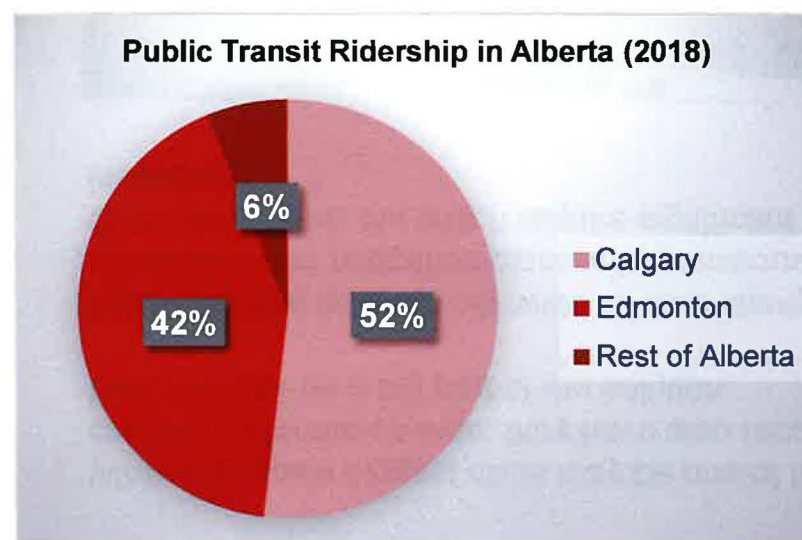
3(a): Building back better - Big cities own and operate much of Canada's core public infrastructure

Local governments own approximately 60 percent of the public infrastructure that supports our economy and quality of life, including:

- 98% of culture, sport and recreation facilities
- 83% of water treatment facilities
- 68% of the country's roads
- 44% of affordable housing

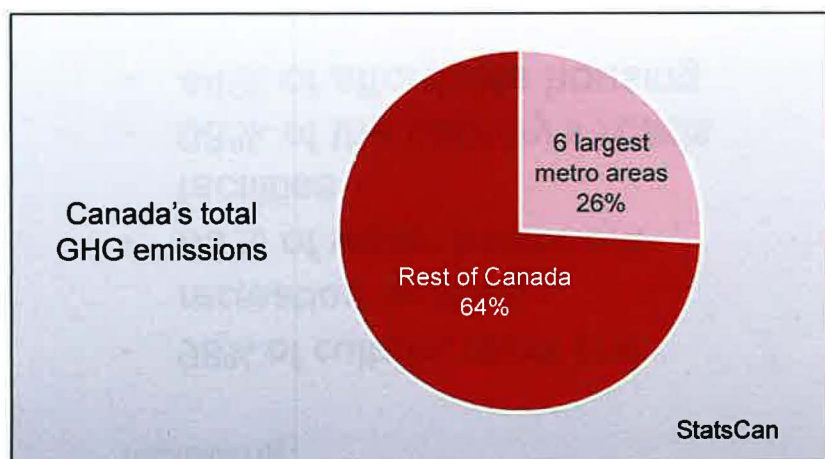
StatsCan Core Public Infrastructure Survey

And big cities play a distinctively large role in areas such as affordable housing and public transit



Canada-Alberta Integrated Bilateral Agreement

3(b): Building back better - Canada's big cities are key to climate resilience

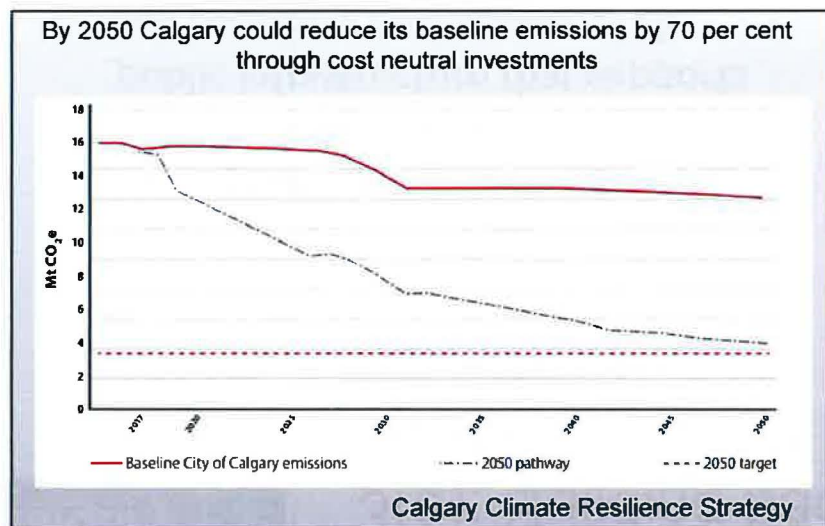


While Canada's biggest cities may be one of the main causes of climate change, they have also recognized that they can be a big part of the solution.

Each City has adopted city-wide climate change adaptation and mitigation plans with ambitious plans for GHG reductions, but which require significant investment



Only with a coordinated approach and action at the global, regional, national and local levels, can success be achieved. It is essential, therefore, to make cities an integral part of the solution in fighting climate change.
UN Environment Programme



4: Canada's big cities deliver the Canada we're fighting for

Canada's big cities have a role in reconciliation

- 19% of the Indigenous population resides in the biggest six cities
- Each has an office or committee with a mandate to improve the opportunities and quality of life of Indigenous peoples living in big cities

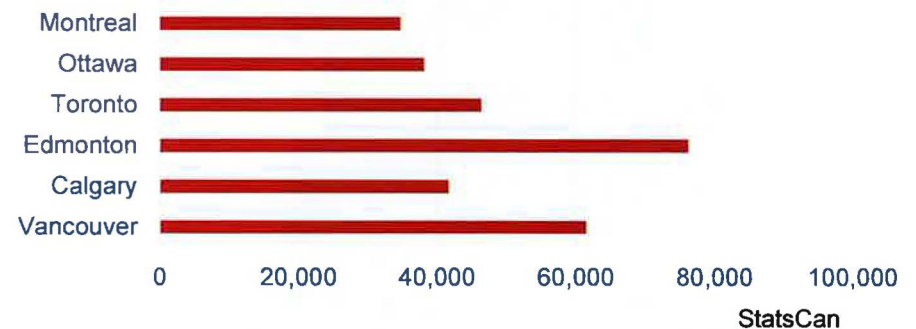
Canada's biggest cities have a role in combatting systemic racism

- These cities are home to 54% of Canada's visible minorities and have pledged to address systemic racism
- These cities are also home to Canada's largest municipal police forces and have begun important discussions on the issue

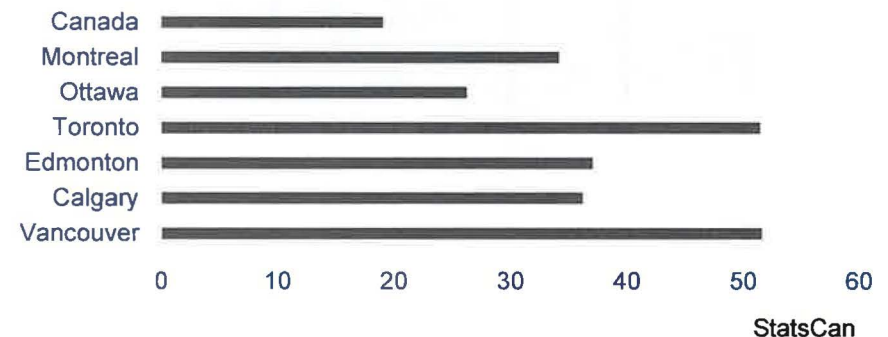
Canada's biggest cities support vulnerable populations

- The cities support low-income Canadians with subsidized housing, transit passes and other needs
- The cities continue to address mental health and addiction

Number of Indigenous Peoples living in Canada's big cities



Percent of population identifying as a visible minority

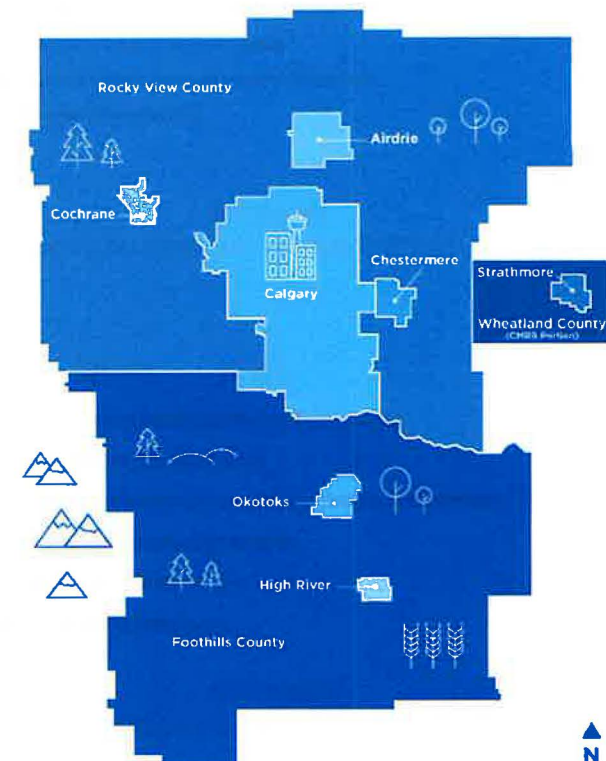




A note on the distinct role of big cities

While all municipalities struggle with these challenges, they are more acutely felt in the big cities. Big cities have the same fiscal framework as small municipalities, but:

- Provide a range and scale of infrastructure and services not required in smaller communities (e.g. large-scale public transit, immigrant settlement)
- Act as “hubs,” providing infrastructure and services to residents of surrounding communities who provide no property tax
- Host countless visitors, students, and health care users that do not provide direct compensation for use of city services and infrastructure through property taxes



Calgary Metropolitan Region Board

The fiscal framework has not kept pace with the changing role of Canada's big cities

The role of today's big cities has expanded far beyond the "regulation of the built environment"

Today, alongside federal and provincial partners, Canada's biggest cities deliver much of the infrastructure, programs and services necessary for a strong and resilient Canada

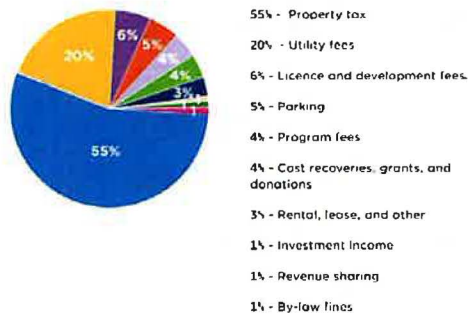
But the big city fiscal framework has remained largely unchanged

In both the short and long term, the fiscal framework compromises cities' ability to deliver these responsibilities and advance

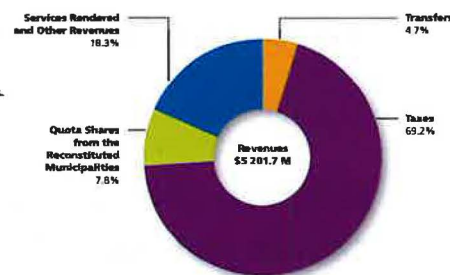


Canada's big cities all continue to rely primarily on the property tax to fund their operations

City of Vancouver Operating revenue



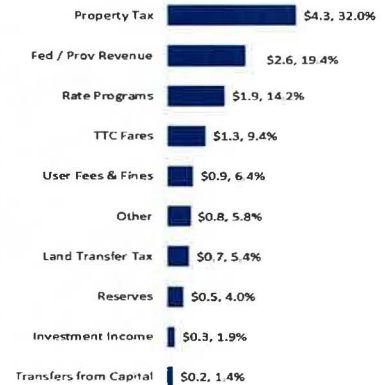
City of Montreal Operating revenue



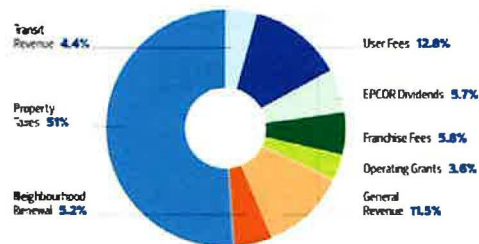
City of Calgary Operating revenue



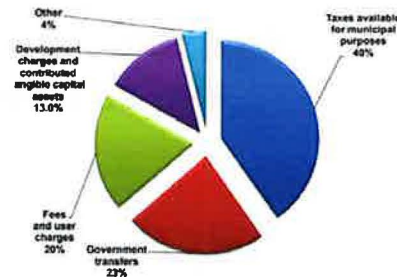
City of Toronto Operating revenue



City of Edmonton Operating revenue



City of Ottawa Operating revenue



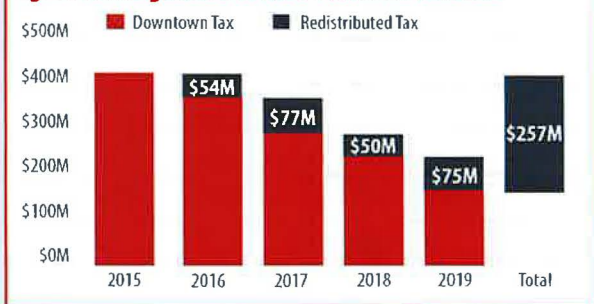
The property tax has some advantages, particularly if responsibilities are limited to the "built environment" (i.e. property)

But it makes less sense considering cities' actual role

A few challenges with the property tax

1. Internal volatility (e.g. Tax Shift)

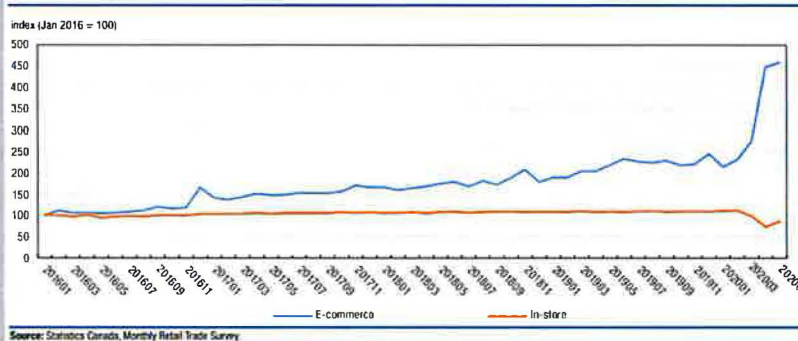
Figure 15: Magnitude of the Downtown Tax Shift



The tax shift in Calgary could become a national problem as downtowns hollow-out with changes in work patterns

2. “Bricks and mortar” tax can’t capture new economy

Indexed monthly retail e-commerce sales vs. in-store sales



The trend toward a knowledge economy and online sales may also mean that economic success generates little or no commercial property taxes paid to cities

3. Fails to capture economic growth for the local government

Property tax revenues don't naturally grow with the economy, providing few options to pay for growth absent rate increases

Limits the ability of a government to use debts or deficits to fund shortfalls – there's no way to “grow back”

4. A regressive tax

Lower income households pay a greater percentage of income to property tax than higher-income households

The property tax doesn't provide an opportunity to capture extreme wealth

5. Unforgiving

Property taxes are not immediately correlated to losses of personal or business income

6. Limited ability for cities to provide targeted tax relief

The property tax doesn't permit for the creation of a diversity of subclasses to create targeted relief

There are also difficulties ensuring property owners pass on any relief to the business owners themselves

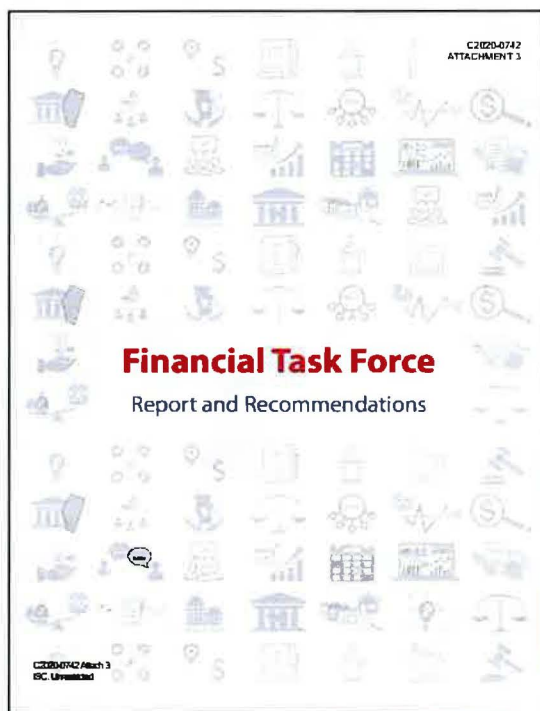
7. Absence of link to service use / provision

Not correlated to the types of services provided in today's big cities

Subsidizes service use of non-residents

Summarizing the structural challenge of big city finance

It's not necessarily about more money,
but better aligning revenues and responsibilities



Canadian municipalities do not have sufficient and diversified own-source revenues. It makes it challenging to fund their expenditure responsibilities.

City of Calgary (2019)
“Financial Task Force Report and
Recommendations”

A new deal for cities (1): Advocating for near-term change

COVID-19 has exposed fundamental vulnerabilities in the fiscal framework that demand immediate attention.

- Examples of actions The Government of Alberta can take now include
 - Engage with The City in a conversation about assessment and tax reform to
 - Enhance operational funding to support de facto roles and responsibilities
- Examples of actions The Government of Canada can take now include
 - Increase use of direct funding mechanisms such as the Rapid Housing Initiative and Gas Tax Fund
 - Provide operating funding to support capital investments in shared priorities such as transit
- Together, the Governments of Canada and Alberta
 - Ensure that big cities have emergency operating support as pandemic impacts continue into 2021 (e.g. Safe Restart 2.0)
 - Identify opportunities for tripartite conversations on key priorities to leverage strengths, reduce overlap and duplication, and deliver results for Canadians more efficiently and effectively

Our key message to other orders of government is that weakened cities compromise our collective efforts to support the most vulnerable, combat climate change and create jobs and economic growth.



A new deal for cities (2): Sowing the seeds for longer-term reform

Short-term change merely “papers over the cracks that the crisis has exposed.”

Solving the structural problem requires a structural change which can be pursued by:

1. Doubling down on efforts to educate the Governments of Canada and Alberta on the challenges of big city finance and the implications for national priorities, and calling for engagement about long-term resilience
2. Calling on the Government of Alberta to engage in a tripartite conversation
3. Actively demonstrating to our partners that The City continues to work within its current authorities to drive efficiency and savings in support of shared priorities

These are near-term opportunities to promote longer-term reform

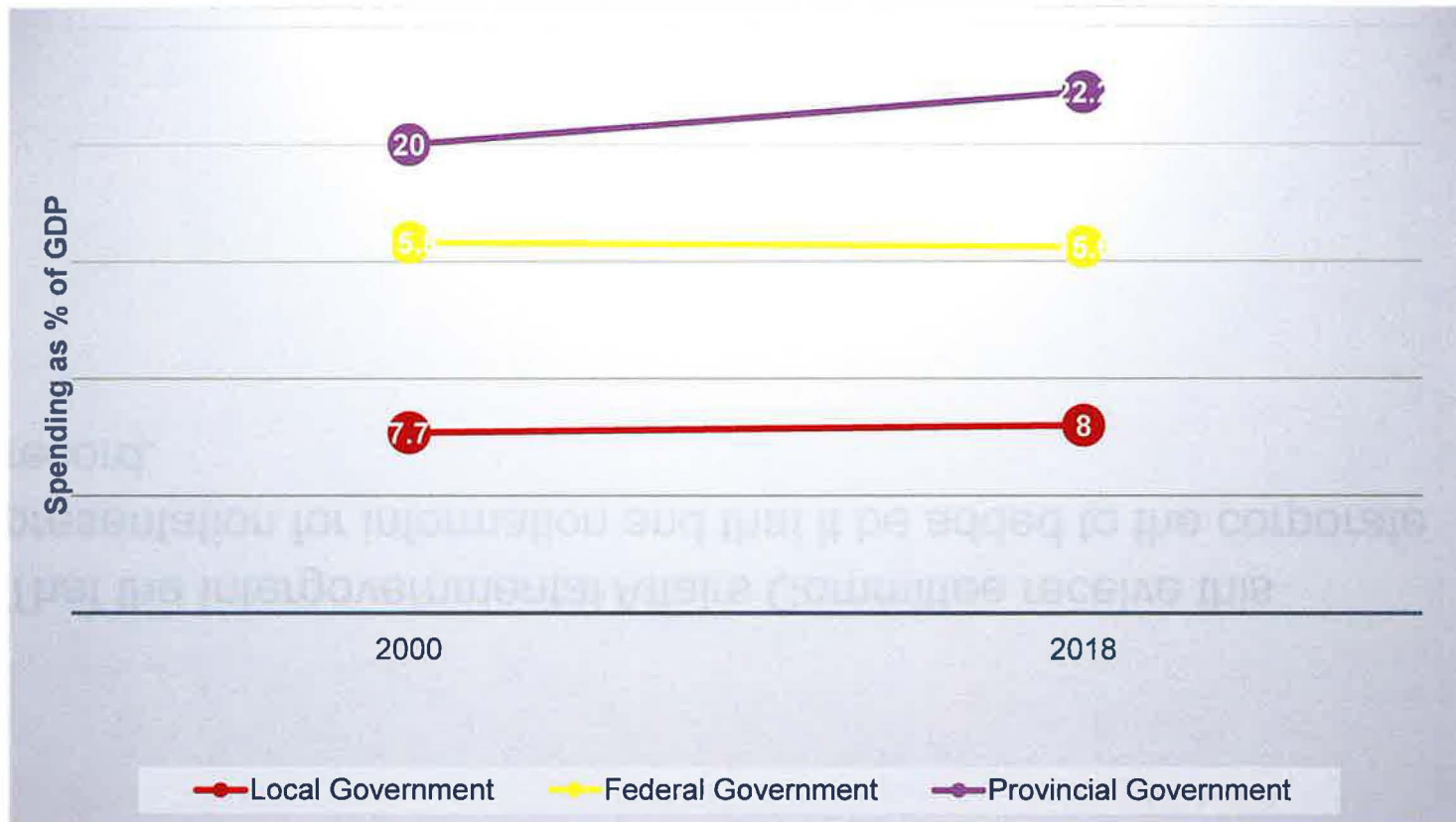


Recommendations

That the Intergovernmental Affairs Committee receive this presentation for information and that it be added to the corporate record.

Annex – Gov't Spending

Growth in Government spending 2000-2018



Fraser Institute (2020), RBC Economics